LEGISLATIVE SERVICES AGENCY

OFFICE OF FISCAL AND MANAGEMENT ANALYSIS

200 W. Washington, Suite 301
Indianapolis, IN 46204
(317) 233-0696
http://www.in.gov/legislative

FISCAL IMPACT STATEMENT

LS 6911
BILL NUMBER: SB 344

NOTE PREPARED: Jan 11, 2012
BILL AMENDED:

SUBJECT: State Taxation.

FIRST AUTHOR: Sen. Hershman
FIRST SPONSOR:

BILL STATUS: As Introduced

FUNDS AFFECTED: X GENERAL
X DEDICATED
FEDERAL

IMPACT: State & Local

Summary of Legislation: *Low-Income Housing Assessments*: This bill repeals the prohibition against using the value of federal income tax credits awarded under Section 42 of the Internal Revenue Code for purposes of determining the assessed value of low-income housing tax credit property.

Residential Historic Rehabilitation Grant Program: The bill permits the fiscal body of a city or town, or the county, in the case of an unincorporated area, to authorize the unit's redevelopment commission to establish a residential historic rehabilitation grant program. It permits the fiscal body to annually appropriate money for the grant program from the property tax increment resulting from any additional property taxes collected as a result of repealing the prohibition against using the value of federal income tax credits in determining the assessed value of low-income housing tax credit property.

Outdoor Signs: This bill specifies the assessed value for outdoor signs for the 2011 through 2014 assessment dates. It also requires the Commission on State Tax and Financing Policy to study the assessment of outdoor signs.

Township Assistance Levy: The bill separates the township assistance levy from the township's general fund levy, and provides for a levy based on a rate calculation that must be used to determine a township's assistance levy after 2012. It phases in the change through 2014. The bill freezes a township's township assistance rate for levy determinations after 2014. It also permits a township to increase the township assistance levy only if there is a corresponding reduction in the township's general fund levy.

Clark County Maximum Levy: This bill adjusts the maximum levy for Clark County.

Utility Receipts Tax: The bill exempts from the utility receipts tax any payments of severance damages or other compensation resulting from a change in assigned service area boundaries between electricity suppliers.

Sales Tax Refund: This bill specifies that industrial processors and those engaged in floriculture and arboriculture do not have to file a sales tax refund claim if the utility service is separately metered, or it has been determined that the utility service is predominantly used in industrial processing, horticulture, or arboriculture.

Sales Tax Exemption for Tangible Personal Property: The bill provides a sales and use tax exemption for transactions involving tangible personal property by a company that is engaged in offering a competitive racing experience in a two-seater Indianapolis 500 style race car during a competitive racing event.

Sales Tax Exemption for Compressed Natural Gas Vehicles and Electric Vehicles: This bill provides a sales and use tax exemption for the purchase or lease of a new qualified compressed natural gas or plug-in electric vehicle if the retail transaction occurs from July 1, 2012, through December 31, 2016. It limits the exemption to $1,000 of sales tax liability. The bill also limits the total exemptions statewide to $5,000,000 in sales and use tax liability. It provides that the exemption may be claimed for only one vehicle per individual during the period and not more than ten vehicles per business entity.

Alternative Fuel Equipment Credit: The bill provides an income tax credit of 25% of the sales and use tax owed for expenditures on tangible personal property used for compressed gas fueling and electric charging facilities, including pumps, piping, containment areas, wiring, or other necessary infrastructure that support these facilities. It limits the total income tax credits statewide to $10,000,000 per state fiscal year.

Tax Credit Sunsets and Extensions: This bill provides that the following income tax credits may not be granted after December 31, 2016: Airport development zone employment expense credit; Airport development zone investment credit; Airport development zone loan interest credit; Alternative fuel vehicle manufacturing investment credit; Blended biodiesel production/sales credit; Capital investment credit; Coal combustion products credit; Integrated coal gasification technology investment credit; Community revitalization enhancement district credit; Computer equipment donation credit; Earned income tax credit; Economic development for a growing economy (EDGE) credit; Enterprise zone employment expense credit; Enterprise zone investment credit; Enterprise zone loan interest credit; Ethanol production credit; Headquarters relocation credit; Historic rehabilitation credits; Hoosier business investment credit; Indiana colleges and universities contribution credit; College Choice 529 education savings account contribution credit; Indiana insurance guaranty association assessment credit; Individual development account contribution credit; Industrial recovery investment credit; Lake County homestead tax credit; Military base investment credit; Military base recovery investment credit; Neighborhood assistance credit; New employer credit; Prison investment credit; Research expense credit; Residential historic rehabilitation credit; Riverboat building costs credit; School scholarship grant credit; Twenty-First century scholars program credit; Unified tax credit for the elderly; Venture capital investment credit.

Consolidated Returns: The bill repeals the laws allowing for a consolidated sales and withholding tax return.

Electronic Sales Tax Return Filing: This bill requires all sales tax returns and payments, excluding those retail merchants whose state gross retail and use tax liability in the previous calendar year does not exceed $1,000, to be filed and remitted electronically.

Fiduciary Returns: The bill provides that a decedent's estate and a trust do not have to file an Indiana fiduciary return if the gross income for the year is less than $600.

Withholding Tax Payments: This bill provides that withholding tax payments may be made annually if the total withholding tax due for the year is less than $1,000. It changes the due dates for annual one-time withholding for a nonresident partner and for a nonresident shareholder in an S corporation to April 15. The bill also changes the reporting date for partnerships that make periodic withholding payments from January 30 to March 15.

Electronic Filing: The bill requires any person filing more than 25 copies of certain tax forms to file reports electronically.

Tax Court: This bill removes the prohibition of taking a case to the Tax Court if the Department of State Revenue takes longer than three years to settle a claim.

Other Changes: The bill makes a technical change regarding the details for the amount of an E85 deduction and corrects references to the Internal Revenue Code in the income tax law.

Effective Date: Upon passage; January 1, 2011 (retroactive); March 1, 2011 (retroactive); July 1, 2012;. January 1, 2013; July 1, 2013.

Explanation of State Expenditures: *Outdoor Signs*: This bill would require the Commission on State Tax and Financing Policy to study the assessment of outdoor signs during the 2012 interim.

Department of State Revenue (DOR): The DOR would incur some administrative expenses relating to the revision of tax forms, instructions, and computer programs to reflect the expiration of various tax credits beginning in tax year 2017.

The bill also makes various tax procedure provisions.

(1) The bill changes the requirement for estates and trusts to file income tax returns from any estate or trust with gross income from sources in Indiana to estates and trusts with gross income of $600 or more from sources in Indiana.

(2) The bill increases the income tax withholding threshold for an employer to pay withholdings to the DOR on an annual basis instead of a monthly basis. The bill increases the threshold from a monthly average during the prior year of $10 to a monthly average of $1,000. The bill also eliminates the 3-month and 6-month reporting periods for employers with small withholdings.

(3) The bill requires all entities that withhold income taxes to file the withholding report and remit withholding taxes electronically. Currently, only entities that registered to withhold after December 31, 2009, must report and remit electronically.

(4) The bill requires any person filing more than 25 copies of the forms listed below after December 31, 2012, to file the forms electronically:

- Form W-2G (certain gambling winnings);
- Form 1099-R (distributions from pensions, annuities, retirement or profit sharing plans, IRAs, insurance contracts, or like distributions);

-Form WH-18 (miscellaneous withholding tax statements for nonresidents).

(5) The bill eliminates the prohibition for the Tax Court to hear a refund appeal that is filed more than three years after the date the claim for refund was filed with the DOR.

Explanation of State Revenues: *Sales Tax Exemption for Tangible Personal Property:* This bill provides a sales tax exemption for tangible personal property that is leased, owned or operated by a company that is engaged in offering a competitive racing experience during a competitive racing event and comprises any part of a two-seater Indianapolis 500 style race car. The bill excludes tires and accessories from the sales tax exemption. This provision would decrease sale tax revenue by an indeterminable amount.

Sales Tax Exemption for Compressed Natural Gas Vehicles and Electric Vehicles: This bill provides a Sales and Use Tax exemption for the purchase or lease of a compressed natural gas vehicle or a plug-in electric vehicle if the retail transaction occurs from July 1, 2012, through December 31, 2016. The revenue impact would be in FY 2013 through FY 2016 and a half year revenue impact in FY 2017. Ultimately, any impact would be determined by the volume of sales of natural gas vehicles and electric vehicles during this period. The bill limits the exemption to 1 vehicle per individual and 10 vehicles per business entity. Additionally, the bill limits the exemption to $1,000 of sales ax liability per retail transaction. The bill also provides that the total sales tax exemptions claimed over the entire exemption period may not exceed $5 M.

The bill provides that a transaction is not exempt if the qualified vehicle was purchased by the taxpayer at wholesale for the purpose of resale to another person or in a retail transaction from another person who purchased the qualified vehicle in a retail transaction.

The average price of a compressed natural gas vehicle is $26,000, and the average price of a plug-in electric car is $35,000. Assuming 100 sales of such vehicles each fiscal period, Sales Tax revenue could potentially decrease by $100,000 annually. The annual revenue loss could be more if the Sales Tax exemption encourages more natural gas vehicle and electric vehicle sales and leases than would otherwise have occurred.

Sales Tax revenue is deposited in the state General Fund (99.848%), the Commuter Rail Service Fund (0.123%), and the Industrial Rail Service Fund (0.029%).

Alternative Fuel Equipment Credit: The bill establishes a tax credit that may be claimed by individual or corporate taxpayers for sales tax paid on certain alternative fueling equipment. The tax credit is effective beginning in tax year 2013, so revenue loss from the credit could begin in FY 2013 to the extent that taxpayers receiving credits change their quarterly estimated payments. The bill prohibits new credits from being allowed after tax year 2016, but allows taxpayers to claim unused credits from prior years in tax years 2017 to 2019. The bill sunsets the tax credit on January 1, 2020. The potential revenue loss from the credit is indeterminable but could be significant. The bill limits the total credits allowed to $10 M for all taxpayers per fiscal year.

The tax credit is equal to 25% of the sales tax owed by the taxpayer on expenditures for tangible personal property that consists of compressed natural gas fueling or electric charging facilities, including pumps, piping, containment areas, wiring, or other necessary infrastructure that supports these facilities. The tax credit is nonrefundable, but unused credits may be carried over for up to nine years. The tax credit may not be carried back. The tax credit may be claimed against the individual adjusted gross income (AGI) tax, the corporate AGI tax, the financial institutions tax, or the insurance premiums tax.

Tax Credit Sunsets and Extensions: The bill makes the following changes relating to existing state tax credits.

(1) The bill prohibits new credits under the tax credits described below (see *Background Information*) from being approved after tax year 2016, allows taxpayers to claim unused credits carried over from prior years in tax years 2017 to 2019, and sunsets the tax credits altogether on January 1, 2020. In tax year 2009, the amount claimed under these tax credits totaled $244.8 M ($171.6 M by individual income taxpayers and $73.2 M by corporate income taxpayers).

Please note the additional information on two of the credits being sunsetted. First, the coal gasification technology investment credit has never been claimed by a taxpayer. However, the IEDC has approved $142.5 M in credits for Duke Energy relating to their coal gasification plant being built at Edwardsport. Duke Energy must claim the credit against tax liability in 10 annual installments of $14.25 M beginning in the year the plant is placed into service. Second, the school scholarship organization contribution credit was first available against 2011 taxes. In FY 2011, the Department of State Revenue awarded approximately $334,500 in credits and has so far awarded about $1.45 M in credits in FY 2012.

(2) The bill extends the sunset date on the venture capital investment credit by two years, from December 31, 2014, to December 31, 2016. This would allow two additional years for the IEDC to award credits under this provision. Current statute limits the credits awarded by IEDC to $12.5 M per year. From 2007 to 2009, annual credits claimed by individual and corporate taxpayers totaled about $3.2 M, with the 2009 total coming in below the average at about $2.5 M. The credit is equal to 20% of annual qualified venture capital investment up to $1 M.

(3) The bill extends the sunset date on the alternative fuel vehicle manufacturing investment credit by 4 years, from December 31, 2012, to December 31, 2016. This would allow 4 additional years for the IEDC to award credits under this provision. The potential additional revenue loss due to the extension of this credit is indeterminable. In tax year 2009, only 7 individual taxpayers claimed the alternative fuel vehicle manufacturing investment credit, and no corporate taxpayers claimed the credit. The credits claimed in 2009 totaled $6,285. The credit is equal to 15% of qualified investment made before 2012 to manufacture and assemble alternative fuel vehicles.

(4) The bill extends the sunset date on the new employer credit by 4 years, from December 31, 2012, to December 31, 2016. This would allow 4 additional years for the IEDC to award credits under this provision. The potential additional revenue loss due to the extension of this credit is indeterminable. The IEDC indicates that while they do receive inquiries about the credit, they have not received any applications for the credit. The credit is equal to 10% of wages paid by a new Indiana business to new qualified employees during the first 24 months of employment, and applies to new businesses starting in 2010, 2011, or 2012, that employ at least 10 new qualified employees.

Background Information: The list below describes the tax credits the bill is sunsetting, and the tables following the list report the number of individual and corporate taxpayers claiming the credit and the amount claimed in tax year 2009.

(1) Airport Development Zone (ADZ) Employment Expense Credit: The credit is equal to 10% of the incremental wages paid by an ADZ business to a qualified employee during the year up to a maximum of $1,500.
(2) Airport Development Zone Investment Cost Credit: A maximum of 30% of equity investment in an

ADZ business, depending upon the type of investment, the type of business, and the number of jobs created by the investment.
(3) Airport Development Zone Loan Interest Credit: 5% of interest income earned by a taxpayer from a loan that directly benefits an ADZ business, increases ADZ property values, or is used to rehabilitate, repair, or improve an ADZ residence.
(4) Biodiesel Production Credit: $1.00 per gallon of biodiesel, and $0.02 per gallon of blended biodiesel produced at an Indiana facility.
(5) Capital Investment Credit: 14% of the value of qualified investment in a business project having an estimated total cost of at least $75 M and located in Shelby County.
(6) Coal Combustion Product Credit: $2 per ton of increased acquisitions during the taxable year of coal combustion products obtained and used by a manufacturer.
(7) Coal Gasification Technology Investment Credit: 10% of the first $500 M in qualified investment in an integrated coal gasification power plant (7% if the investment is in a fluidized bed combustion unit); and 5% of the qualified investment exceeding $500 M (3% if the investment is in a fluidized bed combustion unit).
(8) Community Revitalization Enhancement District (CRED) Credit: 25% of the value of qualified investment in a CRED.
(9) Earned Income Tax Credit: 9% of federal Earned Income Credit (EIC) received by taxpayer.
(10) Economic Development for Growing Economy (EDGE) Credit: Credit based on incremental income tax withholdings of new or retained employees in an amount approved by the IEDC Board.
(11) Enterprise Zone Employment Expense Credit: The credit is equal to 10% of the incremental wages paid by an EZ business to a qualified employee during the year up to a maximum of $1,500.
(12) Enterprise Zone Investment Cost Credit: A maximum of 30% of equity investment in an EZ business, depending upon the type of investment, the type of business, and the number of jobs created by the investment.
(13) Enterprise Zone (EZ) Loan Interest Credit: 5% of interest income earned by a taxpayer from a loan that directly benefits an EZ business, increases EZ property values, or is used to rehabilitate, repair, or improve an EZ residence.
(14) Ethanol Production Credit: $0.125 per gallon of ethanol produced at qualified Indiana facilities. The total allowable credit per taxpayer (1) may not exceed $2 M if annual production of grain ethanol is between 40 M and 60 M gallons; (2) may not exceed $3 M if annual production of grain ethanol is at least 60 M gallons; or (3) is not specified for production of cellulosic ethanol.
(15) Headquarters Relocation Credit: 50% of the costs incurred by an eligible business to relocate its headquarters to Indiana.
(16) Historic Rehabilitation Credit: 20% of qualified expenditures made by a taxpayer for the preservation or rehabilitation of historic property used for commercial purpose.
(17) Indiana Colleges and Universities Contribution Credit: 50% of contributions to institutions of higher education up to $100 ($200, joint return).
(18) Indiana 529 College Savings Account Contribution Credit: 20% of annual contributions to an Indiana College Choice 529 Investment Plan savings account, up to a maximum of $1,000 annually.
(19) Individual Development Account (IDA): 50% of the amount contributed to an IDA Fund by a community development corporation to finance IDAs, if the contribution is not less than $100 and not more than $50,000.
(20) Industrial Recovery (Dinosaur) Credit: 15% to 25% (depending on the age of the property) of qualified expenditures made by a taxpayer for rehabilitation of property located within an industrial recovery site.
(21) Lake County Homeowner's Property Tax Credit: Up to $300 of property taxes paid by the taxpayer

on his or her principal place of residence, provided the taxpayer's earned income is less than $18,600, the taxpayer owns the residence, the residence is located in Lake County, and the taxpayer does not claim the income tax deduction for property taxes paid on the residence.

(22) Military Base Investment Cost Credit: A maximum of 30% of equity investment in a business located on qualified military base property, depending upon the type of investment, the type of business, and the number of jobs created by the investment.

(23) Military Base Recovery Credit: 15% to 25% (depending on the age of the property) of qualified expenditures made by a taxpayer for rehabilitation of property located within a military base recovery site.

(24) Neighborhood Assistance Credit: 50% of amounts, up to $25,000, used to provide neighborhood assistance, job training, or education for individuals not employed by the business firm or person, or for community services or crime prevention in an economically disadvantaged area.

(25) Prison Investment Credit: 50% of any capital investment and 25% of any wages paid by a business that hires adult offenders within correctional facilities up to $100,000.

(26) Research Expense Credit: 15% of the first $1 M of qualified research expenses and 10% of qualified research expenses in excess of $1 M.

(27) Residential Historic Rehabilitation: 20% of qualified expenditures for the preservation or rehabilitation of the taxpayer's principal residence.

(28) School Scholarship Organization Contributions Credit: 50% of contributions to nonprofit K-12 school scholarship-granting organizations.

(29) 21st Century Scholar Program Credit: 50% of contributions up to $100 for individual ($200, joint return).

(30) Unified Tax Credit for Elderly: Declining refundable credit for individuals with adjusted gross income less than $10,000, the value of the credit depending on income and marital status.

Tax Credits Claimed by Individual Income Taxpayers - Tax Year 2009			
Airport Development Zone Employment Expense Credit		**Indiana College/University Contribution Credit**	
Taxpayers claiming credit	8	Taxpayers claiming credit	87,909
Credits claimed	$4,605	Credits claimed	$8,519,399
Airport Development Zone Investment Cost Credit		**Indiana 529 College Savings Contribution Credit**	
Taxpayers claiming credit	N/R	Taxpayers claiming credit	48,229
Credits claimed	$812	Credits claimed	$33,318,076
Airport Development Zone Loan Interest Credit		**Individual Development Accounts Credit**	
Taxpayers claiming credit	N/R	Taxpayers claiming credit	95
Credits claimed	$265	Credits claimed	$40,581
Biodiesel Production Credit		**Industrial Recovery (Dinosaur) Credit**	
Taxpayers claiming credit	8	Taxpayers claiming credit	6
Credits claimed	$85,582	Credits claimed	$17,069
Coal Combustion Product Credit		**Lake County Homeowner's Property Tax Credit^^**	
Taxpayers claiming credit	0	Taxpayers claiming credit	29,582
Credits claimed	$0	Credits claimed	$8,586,982
Coal Gasification Technology Investment Credit		**Military Base Investment Cost Credit**	
Taxpayers claiming credit	0	Taxpayers claiming credit	N/R
Credits claimed	$0	Credits claimed	$1,986
Comm. Revitalization Enhancement District Credit		**Military Base Recovery Credit**	
Taxpayers claiming credit	121	Taxpayers claiming credit	13
Credits claimed	$138,652	Credits claimed	$9,799
Earned Income Tax Credit		**Neighborhood Assistance Credit**	
Taxpayers claiming credit	533,472	Taxpayers claiming credit	3,649
Credits claimed	$103,427,037	Credits claimed	$1,891,303
EDGE Credit		**Prison Investment Credit**	
Taxpayers claiming credit	673	Taxpayers claiming credit	10
Credits claimed	$1,149,147	Credits claimed	$76,133
Enterprise Zone Employment Expense Credit		**Research Expense Credit**	
Taxpayers claiming credit	240	Taxpayers claiming credit	818
Credits claimed	$456,333	Credits claimed	$5,492,302
Enterprise Zone Investment Cost Credit		**Residential Historic Rehabilitation Credit**	
Taxpayers claiming credit	29	Taxpayers claiming credit	97
Credits claimed	$84,829	Credits claimed	$159,410
Enterprise Zone Loan Interest Credit		**Riverboat Building Credit**	
Taxpayers claiming credit	85	Taxpayers claiming credit	N/R
Credits claimed	$54,734	Credits claimed	$450
Ethanol Production Credit		**21st Century Scholars Program Credit**	
Taxpayers claiming credit	33	Taxpayers claiming credit	180
Credits claimed	$627,067	Credits claimed	$16,767
Headquarters Relocation Credit		**Unified Tax Credit for Elderly**	
Taxpayers claiming credit	N/R	Taxpayers claiming credit	117,933
Credits claimed	$1,422	Credits claimed	$7,302,523
Historic Rehabilitation Credit			
Taxpayers claiming credit	39		
Credits claimed	$99,285		

N/A=Not Applicable.
N/R=Five or fewer filers, filer count not reported.
*Filer counts and amounts are from tax year 2009 returns.
^^The entire cost of this tax credit is reimbursed to the state General Fund from Riverboat Admission Tax revenue distributed to Lake County, East Chicago, Gary, and Hammond.

Tax Credits Claimed by Corporate Income Taxpayers - Tax Year 2009

Airport Development Zone Employment Expense Credit		**Headquarters Relocation Credit**	
Taxpayers claiming credit	0	Taxpayers claiming credit	0
Credits claimed	$0	Credits claimed	$0
Airport Development Zone Investment Cost Credit		**Historic Rehabilitation Credit**	
Taxpayers claiming credit	0	Taxpayers claiming credit	0
Credits claimed	$0	Credits claimed	$0
Airport Development Zone Loan Interest Credit		**Indiana College & University Contribution Credit**	
Taxpayers claiming credit	0	Taxpayers claiming credit	105
Credits claimed	$0	Credits claimed	$56,337
Biodiesel Production Credit		**Individual Development Accounts Credit**	
Taxpayers claiming credit	N/R	Taxpayers claiming credit	N/R
Credits claimed	$341,692	Credits claimed	$25,000
Capital Investment Credit		**Industrial Recovery (Dinosaur) Credit**	
Taxpayers claiming credit	0	Taxpayers claiming credit	0
Credits claimed	$0	Credits claimed	$0
Coal Combustion Product Credit		**Military Base Investment Cost Credit**	
Taxpayers claiming credit	0	Taxpayers claiming credit	0
Credits claimed	$0	Credits claimed	$0
Coal Gasification Technology Investment Credit		**Military Base Recovery Credit**	
Taxpayers claiming credit	0	Taxpayers claiming credit	0
Credits claimed	$0	Credits claimed	$0
Comm. Revitalization Enhancement District Credit		**Neighborhood Assistance Credit**	
Taxpayers claiming credit	N/R	Taxpayers claiming credit	18
Credits claimed	$4,251,218	Credits claimed	$14,726
EDGE Credit		**Prison Investment Credit**	
Taxpayers claiming credit	857	Taxpayers claiming credit	N/R
Credits claimed	$49,094,401	Credits claimed	$73,818
Enterprise Zone Employment Expense Credit		**Research Expense Credit**	
Taxpayers claiming credit	29	Taxpayers claiming credit	83
Credits claimed	$703,221	Credits claimed	$15,634,232
Enterprise Zone Investment Cost Credit		**Riverboat Building Credit**	
Taxpayers claiming credit	0	Taxpayers claiming credit	N/R
Credits claimed	$0	Credits claimed	$1,000,000
Enterprise Zone Loan Interest Credit		**21st Century Scholars Program Credit**	
Taxpayers claiming credit	21	Taxpayers claiming credit	0
Credits claimed	$1,818,275	Credits claimed	$0
Ethanol Production Credit			
Taxpayers claiming credit	N/R		
Credits claimed	$194,744		

N/A=Not Applicable.
N/R=Five or fewer filers, filer count not reported.
*Filer counts and amounts are from tax year 2009 returns.

Explanation of Local Expenditures:

Explanation of Local Revenues: *Low-Income Housing Assessments*: Currently, the assessed value of low-income rental housing that is eligible for Section 42 credits equals the greater of (1) the amount determined under the income capitalization method or (2) the value that would result in taxes equal to 5% of the annual total gross rents for the property. Current law also prohibits consideration of Section 42 federal income tax credits in determining the AV of low-income rental housing. Under this proposal, the prohibition would be repealed beginning with property taxes payable in 2014.

This provision would result in an increase in the assessments of low-income housing properties by a currently unknown amount. The increase in AV could be captured to fund grants for the Residential Historic Rehabilitation Grant Program, also in this bill.

Residential Historic Rehabilitation Grant Program: This bill would create the Residential Historic Rehabilitation Grant Program. Counties, cities, and towns could adopt an ordinance establishing the program. A county program would pertain to the unincorporated portion of the county.

An adopting unit would also establish a residential historic rehabilitation grant fund. Grants from the fund would be available only for the qualified expenditures of a taxpayer that qualifies for a residential historic rehabilitation income tax credit. The adopting unit's fiscal body would have to appropriate money in the fund to be used as grants. Fund income would include taxes paid by the owners of low-income housing on the increase in their AV that is due to the inclusion of Section 42 federal income tax credits in determining the value.

Outdoor Signs: Prior to the 2011 Pay 2012 assessment year, outdoor advertising signs were assessed under a DLGF rule that set the value of each sign based on the type, size, and number of faces on the sign. The DLGF repealed that rule effective with the March 1, 2011, assessment date.

Outdoor advertising signs are now valued in the same manner as most other depreciable personal property by listing the cost of the signs in the depreciation schedule in the personal property tax return. The cost to purchase an existing outdoor sign can vary greatly depending on location. In many cases the value under the current method is higher than under the previous rule.

This bill would establish a valuation schedule that would be used for taxes payable from CY 2012 through CY 2015. The new schedule would set the unit value per structure based on the type and size, but not the number of faces, of each sign. This value would be used in lieu of the value arrived at by using the depreciation schedule in the personal property tax return.

For purposes of this analysis, it was assumed that there is an average of 1.5 faces on outdoor advertising signs in Indiana. In comparing the estimated assessed value for signs under this proposal with the estimated value under the previous rule, the values for single-pole signs would be about 250% higher, on average, with a range of 175% to 400%.

For taxes payable in 2011 (under the previous rule), $7.7 M in assessed value was reported statewide by taxpayers who self-reported their principal business activity as display advertising. The tax due is estimated at $195,000. For taxes payable in 2012 (without a rule or schedule), $22.2 M in assessed value was reported and the estimated tax due is $602,000. So, with no special rule in place, the tax due is estimated to be 209% higher than it was under the old rule.

The total AV and taxes attributable to outdoor advertising signs are not known. The property tax returns for the taxpayers identified above may also contain property other than outdoor advertising signs, so the above estimates for these taxpayers may be high. However, the full universe of outdoor advertising signs is not known. If a sign owner listed any other activity as their principal business activity, then the value of their signs would not be included in the estimates above. It is very likely that there are many outdoor advertising signs that are reported on property tax returns other than those identified here.

The valuation schedule contained in this bill would most likely result in a total sign valuation that is close to or slightly above the valuation under current law (without a rule or schedule). The change in valuation by taxpayer and location would vary. Compared with current law, higher overall assessments would reduce property tax rates and could result in a reduction of circuit breaker losses for local civil taxing units and school corporations.

Township Assistance Levy: Under current law, townships have 2 separate maximum levies, one for firefighting and the other for all other controlled levies. This bill would create a third township maximum levy, for township assistance (TA), beginning with 2013 taxes. The general maximum levy limit would be reduced by the amount of the TA maximum levy.

A township's 2013 TA maximum levy would be equal to the levy generated by a tax rate computed as follows: The lesser of (1) the 2012 TA tax rate or (2) two times the state average 2012 TA tax rate multiplied by the complexity index for the school corporation in the township with the greatest ADM count. If the initial tax rate is less than the 2012 TA tax rate, then the reduction would be phased in from 2013 to 2015. One-third of the reduction would be applied in 2014, and two-thirds would be applied in 2014. The new maximum levy would be fully in place by 2015.

The total township general maximum levy for 2011 was $60.4 M with the total TA levy equal to $45.6 M. There were 146 townships with no TA levy. Townships without a 2012 TA levy would have no 2013 TA maximum levy.

Based on 2011 levies and tax rates and estimated assessed value and levies for future years under current law, this bill would result in higher TA maximum levies for 425 townships in mostly insignificant amounts totaling $75,000 in 2013, $153,000 in 2014, and $255,000 in 2015. The TA levies would be lower for 431 townships by about $4.9 M in 2013, $9.7 M in 2014, and $14.3 M in 2015 when fully phased in. There would be no change for 151 townships.

The bill would permit a township to increase its TA tax rate in a particular year by reducing the township's general tax rate for that year. However, a township would not have the ability to increase its general tax rate by reducing its TA rate.

Clark County Maximum Levy: Under the law in effect for 2008 through 2011 maximum levies, a taxing unit's maximum levy was equal to the unit's actual levy for the previous year multiplied by the income-based assessed value growth quotient (AVGQ), plus one-half of the unused levy authority from the previous year. Beginning with 2012 levies under current law, the maximum levy is equal to the previous year's maximum levy multiplied by the AVGQ.

Under this provision, the Clark County taxing unit's maximum levy for 2013 would be computed by applying the AVGQ for 2008 through 2013 to the 2007 maximum levy. Clark County's 2012 maximum levy is $6,719,024. At an assumed 3.2% AVGQ, the 2013 maximum levy is estimated at $6,934,033 under current law. Under this provision, the 2013 maximum levy is estimated at $7,513,969, for an increase of $579,936. The increase is estimated at $596,174 in 2014 and $612,271 in 2015.

Assuming that the county would increase its property tax levy by these amounts, circuit breaker losses would grow for civil taxing units and school corporations by an estimated $173,000 in 2013, $180,000 in 2014, and $185,000 in 2015. Net property tax bills would be increased by just over $500,000 per year. In addition, TIF proceeds would increase by about $100,000 per year.

State Agencies Affected: Commission on State Tax and Financing Policy.

Local Agencies Affected: Counties; Cities; Towns; Townships; Other civil taxing units and school corporations; Clark County.

Information Sources: LSA property tax databases; Local Government Database, DLGF.

Fiscal Analyst: Bob Sigalow, 317-232-9859; Jim Landers, 317-232-9869; Diana Agidi, 317-232-9867.